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SUBJECT: HIGH EXPECTATIONS, DISAPPOINTING RESULTS:
MADURO'S FIRST YEAR

REF: A. 02 TEGUCIGALPA 3407

- [1](#)B. TEGUCIGALPA 532
- [1](#)C. TEGUCIGALPA 288
- [1](#)D. TEGUCIGALPA 611
- [1](#)E. TEGUCIGALPA 527
- [1](#)F. TEGUCIGALPA 606
- [1](#)G. TEGUCIGALPA 546

Classified By: Ambassador Larry L. Palmer for Reasons 1.5 (B) and (D)

[1](#)1. (C) SUMMARY: After one year in office, Honduran President Ricardo Maduro faces numerous challenges in one of the poorest and most corrupt countries in the Western Hemisphere. Maduro began his administration amid high expectations. While he remains upbeat about his administration's ability to increase security, reduce corruption, and deliver economic growth, many factors, both external and internal, have coalesced to make these tasks more difficult. Maduro has been unable to move his agenda forward and public support for the Administration has likewise dwindled. While Maduro often says the right things, many are increasingly impatient with his administration's lack of progress in key areas. Moreover, with the economy growing very slowly, the Administration's ambitious goals have yet to be fitted to the state's financial straitjacket. Maduro has made some headway, particularly in the areas of governance, judicial reform, and support for the international campaign against terrorism, but he faces formidable challenges from entrenched economic and political interests in moving his agenda forward. As he enters the second year of his single four-year term in office, his administration needs concrete results before presidential campaigning begins next year when he will inevitably slide toward lame-duck status. END SUMMARY

Status of the Maduro Government

[1](#)2. (SBU) President Maduro is facing increasing criticism from both the political opposition, members of his own party in Congress, and the public at large over his administration's policies and his technocratic style of leadership. Although Maduro promised to modernize government processes, there has been little movement towards decentralization and depoliticization. Lack of planning and foresight continue to plague the Administration, with Maduro reacting to events rather than setting the agenda. While many feel the President's heart is in the right place, the political fortitude, necessary personnel, and resources are not there to move the Administration's agenda forward. Maduro has stated on several occasions that his personal popularity is not important to him as long as he does the right thing for the country. Rhetoric like this has coincided with polls showing that a year after taking office, less than 20 percent believe the country is in better shape since Maduro took office.

[1](#)3. (C) Many of Maduro's initiatives require congressional approval but Maduro's National Party has only a plurality, not a majority, within the unicameral body. Relations with Congress remain tense and Maduro's efforts to use his bully-pulpit to advance legislation have met with limited success. He was, despite considerable opposition, able to push through a direct energy purchase contract with the American firm AES in January. However, despite a solid working relationship with his party's President of Congress, Pepe Lobo, Maduro's biggest obstacle to enacting his reformist program has been a recalcitrant wing of his own Nationalist Party, known as the "dark side." This wing of the party is more interested in pursuing personal gain through traditional political corruption rather than seeking to advance a Nationalist party agenda or improve the overall social and economic situation in Honduras for the betterment of the Honduran People.

[1](#)4. (C) Since November, fresh rumors have been circulating that Maduro would make some cabinet changes in an effort to recapture the political momentum (ref A). Many of Maduro's ministers are not well known publicly and polling data indicate that less than a third of those participating had much confidence in the President's cabinet. This issue was

raised publicly during a press interview in January when Maduro was questioned on the subject. At that time, he stated he was in the process of evaluating his minister's performances but had not made any decisions about possible changes. Although many expected movement in this area, to date no changes have been made. The ministers of education, health, and social investment remain the main targets, although Foreign Minister Perez-Cadalso may also be removed.

Bilateral Relations and Counterterrorism Cooperation

15. (C) Relations between the U.S. and Honduras have been excellent, but disappointing results, particularly in public security, narcotics control, and the slow pace of judicial reform, are beginning to create stress within the bilateral relationship. U.S. expectations were high when Maduro took office that the new Administration would be able to tackle some fundamental structural issues that were beyond the reach of its predecessors. Some progress has been made, but considering the substantial U.S. investment in good governance programs, law enforcement, and development assistance, current results are insufficient to meet U.S. expectations.

16. (SBU) President Maduro has been a good and reliable partner of the U.S. on counterterrorism. He recently issued a statement on behalf of the GOH declaring that Honduras supports the U.S. war on Iraq. Also, The first major piece of legislation passed under Maduro was a tough money-laundering bill, and his government hosted a major U.S. military counterterrorism exercise in March 2002. The GOH has quickly responded with freeze orders to all U.S. requests regarding suspect terrorist bank accounts and to date no terrorist assets have been found in Honduran financial institutions. Honduras was also the first country in Central America (and the second in Latin America) to sign an ICC Article 98 Agreement with the United States. However, the GOH has yet to submit the agreement to Congress for approval. Other concrete steps the GOH still needs to take are: designate a national coordinator for counterterrorism; file its national report in accordance with United Nations Security Council (UNSC) Resolution 1373; and most of all, sign and/or ratify the five outstanding international conventions/protocols and two OAS conventions (1971 and 2002) against terrorism. It is also of vital importance for Honduras to improve security at its maritime ports, particularly Puerto Cortes. Despite the right rhetoric, the GOH has been slow to follow-through on necessary counterterrorism actions.

Anticorruption Efforts

17. (C) Fighting Honduras' endemic corruption was one of the mainstays of Maduro's campaign to capture the presidency. While the President's public resolve appears strong, it remains to be seen if Maduro and his government, as well as the judicial system and Congress, are prepared to press for action against major economic and political figures involved in, or with a history of, corrupt practices. Since Maduro took office, there has not been one significant conviction, or even arrest, on corruption charges. It is still taken for granted that the rich and politically connected are above the law, and it is still very difficult for the GOH to manage any sizable government procurement efforts fairly and transparently.

18. (SBU) Maduro's administration has successfully implemented some key reforms in the following areas: the selection of an independent Supreme Court; establishment of a task force to capture white collar criminals, such as the fugitive bankers involved in fraudulent banking practices; the first-ever removal of congressional immunity from a deputy (in a rape case); and adoption of the national budget by Congress in an open and transparent process (ref B). Yet many average Hondurans still feel that no real change has taken place. They are particularly looking for more concrete results against individuals involved in corrupt activities, something that has not happened to date.

19. (C) In response to these criticisms Maduro has publicly directed that his government take action against obvious corruption. However, he has also laid the blame for the poor performance in prosecuting corruption cases on the Attorney General (AG). The AG is an independent appointee from the Liberal Party with a seven-year term of office, which does not expire until next year. Maduro has expressed that the AG is not in sync with the rest of his government team (ref B). While very possibly true, lack of action by the AG's office has thwarted USG interests in a number of areas. However, a possible move in the coming months by the Congress to remove the AG before his term expires would set off a political donnybrook and paralyze the nation's already weak

prosecutorial function.

Supreme Court and Judicial Reform

110. (SBU) Under Maduro's watch, the Supreme Court has been developing into an independent branch of power, unlike any of its predecessor courts since democracy was restored in 1982. This has only been possible due to a new transparent nominating procedures put in place to select the current court and the imposition of seven-year term limits. Supreme Court President Vilma Morales is pro-reform in orientation and has been effectively fighting to increase the Court's status as a separate branch of power within the federal government. The established political order is fighting that prospect with all its might. In fact, the Congress seized the political opportunity to introduce legislation that would amend the constitution to give itself the power to interpret the constitutionality of any laws it passes. Maduro works closely with Morales to support her efforts. However, he has not risen forcefully to the Court's defense in public on this issue (ref C).

111. (C) While the establishment of the Court as a separate branch of federal power is important, the Court continues to be under substantial pressure from entrenched political interests. Of great concern has been the weight brought to bear by the Nationalists in Congress over judicial appointments. Nominations have been sent forward for unqualified and/or corrupt judges that Nationalist members of Congress know would do their bidding. If this process continues, whatever political independence the Court has established will be in jeopardy. Moreover, the credibility of the Maduro administration, which has touted judicial reform as a major accomplishment, is on the line.

112. (SBU) A positive step forward was the introduction in 2002 of a new Criminal Procedure Code (CPC), replacing a version that was still partially based upon Spanish colonial law. Under the old system, cases were resolved based on written submissions rather than oral testimony. The process was slow, cumbersome, not transparent, and open to corruption. The new Code provides for oral trials, an adversarial trial process, increased protections for defendants, and overall changes intended to facilitate the growth of a more transparent and effective system. President Maduro has been a strong supporter of judicial reform and increased efficiency. While passed under President Flores, implementation of the CPC is something the Maduro administration can point to as advancing this agenda (ref D). Similar reforms are desperately needed on civil actions, particularly in the commercial and labor sectors.

Public Security

113. (SBU) Public security remains a priority, if not the most important, issue for the Maduro administration and the public at large. Upon taking office on January 27, 2002 President Maduro's first act was to fulfill his main campaign promise -- a zero tolerance campaign against the country's out-of-control crime situation. He deployed more than 5,000 soldiers to the streets to support the police. The public responded enthusiastically. However, despite the initial success of establishing a visible police presence, violent crime, particularly homicides and kidnappings, only fell marginally.

114. (C) A year after taking office the campaign to reduce violence appears to be faltering. According to government statistics the number of homicides increased in 2002 despite the military's augmentation of the police force. The homicide closure rate in Honduras is only 1-2 percent. Thus, even if the police are successful in apprehending a suspect, the odds of a conviction are small. Public support is fading and the campaign needs some visible victories to restore confidence in the government's program. The USG is helping the Maduro government establish an anti-kidnapping unit, increase intake/training of police recruits, create a model tourist police force, boost its counternarcotics efforts, and expand the frontier police. The country's geographic position makes it an obvious strategic transit point for narcotics trafficking, alien smuggling operations and other organized crime activities.

115. (SBU) Despite this assistance, drug seizures have continued to fall since Maduro took office. Extrajudicial killings, especially of children/young adults since 1998, remain a source of serious concern. The number of child homicides continues to grow and there have been no aggressive measures by the GOH to solve them. Maduro's administration blames increased gang activity, but allegations that rogue police officials are responsible for some of the killings have not been sufficiently addressed (ref E). Maduro will

have to do better or the public will lose what confidence it has left in the Administration's ability to combat the scourge of violence. The trafficking in persons of women/children for prostitution in Central America, Mexico, and the U.S. also continues.

116. (SBU) The unsolved murder cases of 30 American citizens remains a thorny issue. The GOH has established a special task force, including a special prosecutor, and four convictions have occurred within the last six months. This represents significant progress. While Maduro has addressed these issues, the police have few resources to work with in order to protect Americans and prevent crime. For example, six police officers on bicycles and one pick-up are responsible for the entire island of Roatan outside the main tourist areas. Also of concern are the more than 150 land and commercial dispute cases involving American citizens. Though the GOH has worked to create a mechanism through which some of the expropriation cases may be eligible for arbitration, it remains unclear if the political will exists to follow-through.

Border Relations

117. (SBU) Honduras has border disputes with its three Central American land neighbors and its seven maritime neighbors. The disputes with El Salvador and Nicaragua are the most heated. Maduro is personally engaged with his presidential counterparts to address these issues but there does not appear to have been any concrete progress. Foot-dragging by El Salvador over the land border demarcated by the ICJ in 1992 has been particularly vexing. Maduro has tried to move the process forward with little success.

118. (SBU) On the Caribbean coast, Honduras and Nicaragua have a long-standing maritime border dispute over the 15th parallel. Honduras provoked Nicaraguan retaliation when it signed a maritime treaty with Colombia recognizing the 15th parallel as its maritime border in 1999. Nicaragua filed an ICJ case over the maritime border and more importantly in 1999 slapped a punitive 35 percent tariff on Honduran goods that remains in place despite a Central American Court of Justice ruling that it is illegal. With former Nicaraguan President Arnoldo Aleman deposed as President of the National Assembly, GOH officials were hopeful that Nicaraguan President Enrique Bolanos would make good on private assurances to lift the tariff, especially given the fact that the Central American Court of Justice ruled in favor of the GOH's petition against the tariff. Frustrated by the lack of progress on the issue, and under pressure from Congress to react, Maduro recently announced plans for a retaliatory tariff equal to that of Nicaragua plus increased fees for the use of Puerto Cortes. This measure will be popular in Honduras and could boost the President's lagging popularity while at the same time providing the GOH leverage against the Nicaraguan tariff (ref F).

Economic Problems

119. (SBU) President Maduro inherited a stagnating economy and seriously deteriorated government finances from the previous government. GDP rose by only two percent in 2002, which was lower than economic growth rates in the previous years. Per capita income fell by 0.6 percent during the first year of Maduro's administration while the Consumer Price Index rose by eight percent. Already one of the poorest countries in the hemisphere, Honduras is falling further behind (ref G).

120. (C) The GOH missed all key International Monetary Fund (IMF) targets in 2001, and a limited effort in 2002 to enact austerity and tax measures still resulted in a government budget deficit of 5.6 percent of GDP. The GOH failed to reach agreement with the IMF mission in November 2002 on draft terms of a three-year Poverty Reduction and Growth Facility Program (PRGF) because of the GOH's limited efforts to address the budget deficit. On January 29, GOH's economic team went to Washington to discuss with the IMF its planned measures (elimination of tax exemptions and loopholes, freezing of many government salaries, and a draft civil service reform law). The GOH believes it can reduce the central government deficit to three percent in 2003 and take measures to control the burgeoning wage bill, thereby paving a way to an agreement with the IMF. However, it has yet to enact any of these difficult changes.

121. (SBU) International Financial Institution (IFI) and bilateral donor disbursements (USD 140 million) will be held up until the new IMF program is in place. There will also be pressure for renewed GOH Paris Club debt service payments (USD 100 million per year). For example, Embassy has just received instructions to deliver a demarche on potential Brooke amendment sanctions if DOD loan payments are not resumed. In the meantime, the completion point for Highly

Indebted Poor Countries (HIPC) debt reduction (worth USD 900 million) continues to slip back further. If unaddressed, the country's fiscal situation and the lack of a new IMF program could also impact Honduras' eligibility for Millennium Challenge Account grants.

U.S. Central America Free Trade Agreement (CAFTA)

122. (SBU) Recognizing the benefits of increased trade and economic integration between the U.S. and the Central America, Maduro has promoted U.S.-CAFTA as the road to economic growth. However, the GOH was slow to prepare for the negotiations and the negotiating team remains weak and understaffed. The GOH trade team has been leaning on the more sophisticated Costa Rican team for advice and this scenario seems likely to continue throughout the negotiations. The main objectives for the GOH in the negotiations are to maintain the U.S. market access they already have now, protect sensitive agricultural products, and hopefully provide an improved investment climate in which the vital textile sector can compete with Asia after the elimination of quotas in 2005. U.S.-CAFTA holds the prospects of bringing much needed economic growth to Honduras and the general attitude toward a free trade agreement is positive. Getting the agreement smoothly through Congress though, where protectionist instincts run high, could be problematic.

Storm Clouds Gathering?

123. (C) COMMENT: The jury is still out on whether or not Maduro will be successful in moving his agenda forward; the challenges ahead are imposing. The government's ability to fund new programs is extremely limited and little prospect exists to raise government revenues in the short-term. While Maduro remains optimistic, progress on his administration's key goals are stalled: no major convictions in the government's crusade against corruption; crime (particularly homicide rates) at historic levels, although there has been a reduction in areas such as bank robberies, kidnappings, and car thefts; and the economy is performing poorly. The areas where the Administration has made progress, such as reform of the Supreme Court and the new CPC, will not bear political fruit for some time.

124. (C) In order to assuage his lagging popularity, Maduro needs to show demonstrable progress soon on topics of major concern to the voters. If not, any mandate the president may have had will be squandered and his desire to transform Honduras thwarted. President Maduro faces a very difficult political challenge which requires his sustained engagement. One major short-coming of his first year has been his inconsistent engagement on critical issues and lack of decisive leadership at crucial moments. Just as the underachieving talented student, he does respond and produce the necessary effort to keep his government from failing. But thus far, his efforts fall far short of receiving top marks, despite his loquacious policy rhetoric.

125. (C) Next month's possible visit to meet President Bush will provide Maduro a much needed political lift, but will also present the U.S. with an important opportunity to press him for more concrete actions rather than just "nice words." A strong exhortation from the highest levels of the U.S. government could help him realize his administration's full potential. END COMMENT

Palmer